



2020 Higher Education Update

November 19, 2020

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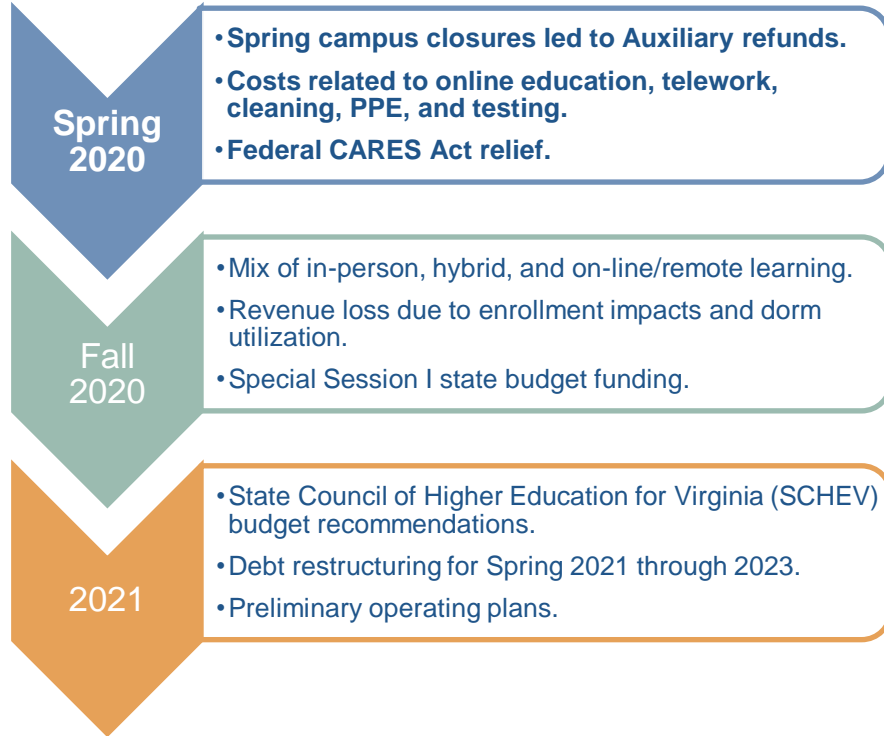
2021 Session Outlook



Overview of COVID-19 Impacts on Spring 2020

Learning, Enrollment, and Financial Impacts

Preliminary Impacts of COVID-19



- Spring campus closures impacted both revenues (especially in Auxiliaries) and expenditures.
- FY 2020 federal CARES Act funding significantly mitigated the immediate impacts, resulting in an approximate net loss of about \$26 million, based on information provided by the institutions to SCHEV in July.

Types of Federal CARES Act Funding for Higher Education

- **Timelines.** The Coronavirus Aid, Relief, & Economic Security (CARES) Act was signed into law on March 27th. On April 9th, the U.S. Department of Education released initial distribution amounts.
- **Higher Education Emergency Relief Fund (HEERF):**
 - **Institutional Aid** – Institutional Aid was flexible in use and was used entirely to backfill refunds made to students and for auxiliary expenses in FY 2020.
 - **Student Aid** – Allocated by each institution using direct grants, emergency aid applications, or a combination. The total equates to \$350 per full-time student, and actual awards generally averaged approximately \$1,000.
 - **Minority Serving Institutions/Historically Black Colleges & Universities/Strengthening Institutions Program (MSI/HBCU/SIP)** – Provided to VSU and NSU, with smaller amounts to ODU and VT.
 - **Fund for the Improvement of Postsecondary Education (FIPSE)** – Allocated at the discretion of the U.S. Secretary of Education, with priority given to schools not otherwise receiving aid.
- **Governor's Education Emergency Relief Fund (GEERF):** \$66.3 million allocated to Virginia for both higher education and preK-12. The Governor allocated \$23.4 million to Higher Education – \$14.5 million flexible funding to address student needs, \$3.8 million to TAG-eligible institutions, \$4.9 million to VCCS (for student needs, last dollar scholarships, and internet access) and \$175,000 for the higher education centers.
- **Coronavirus Relief Fund (CRF).** Larger funding stream not specific to higher education.

Federal CARES Act Funding, By Sector

Plus Recent Additional CRF Allocations of Approximately \$170 Million

(\$ in millions)	Higher Education Emergency Relief Fund (HEERF)				Governor's Education Emergency Relief Fund	Initial Coronavirus Relief Fund (CRF) (FY 2020 Allocations)*	Total
Sector	Institution Aid	Student Aid	HBCU/Minority Serving Inst.	Improvement Fund (FIPSE)			
Public 4-Years	\$69.0	\$69.0	\$24.1	\$0.2	\$14.4	\$27.0	\$203.6
Public 2-Years	36.3	36.2	2.3	1.9	5.0	3.4	85.3
Medical Centers						31.9	31.9
Higher Ed. Centers					0.2		0.2
Private Non-Profits	25.8	25.8	14.6	6.4	3.8		76.4
Private For-Profits	16.1	16.1					32.2
Total	\$147.2	\$147.2	\$41.0	\$8.4	\$23.4	\$62.4	\$429.6

**Additional CRF allocations for Higher Education were made for FY 2021 expenses. The adopted budget lists \$120.0 million for public institutions of Higher Education. In addition, the Administration announced in late October/early November \$30.0 million for a VCCS initiative and \$22.0 million for private colleges.
Source: State Council of Higher Education for Virginia.*



Fall 2020 Overview

Learning, Enrollment, and Financial Impacts

Re-Opening of Virginia Public Institutions

- Re-opening plans were due July 6th, certified by SCHEV, and had to address:
 - Repopulation of the campus;
 - Monitoring of health conditions;
 - Containment of spread when detected; and
 - Shutdown considerations.
- Many delayed opening dates, then further altered.
 - Delayed open;
 - Initial open online or hybrid; or
 - As scheduled.
- Dorms at lower capacity.
- Last days of on-campus classes/exams:
 - From November 16th (RU) to November 25th.

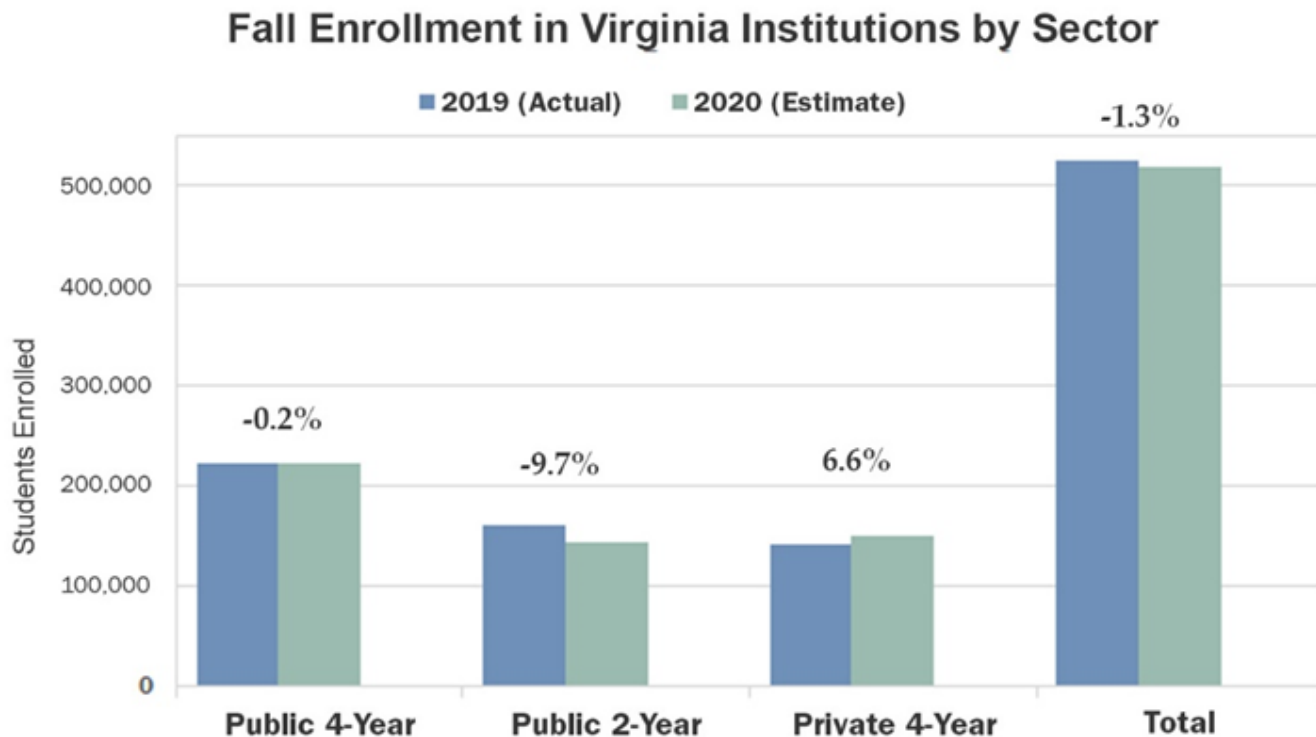
Source: State Council of Higher Education for Virginia.

Amount of Classes In-person	Institution
2/3 or more in-person	LU NSU CNU
Between 2/3 and 1/4 in-person	RU (plus 8% hybrid) VMI (plus 34% hybrid) VCU UVA GMU (44% in-person or hybrid)
1/4 or less in-person	CWM (plus 25% dual) ODU (plus some hybrid) UMW (plus 25% hybrid) VT (plus 30% hybrid) RB (plus 35% hybrid)
All remote/on-line	JMU* (in-person before/after) VSU (0 in-person)
*JMU shifted to 100 percent remote classes for a period of time.	

Impact on Fall 2020 Enrollment Not As Bad As Initially Feared, But Still Significant

- **Summer Scenarios:** Due to the unprecedented circumstances, the institutions were surveyed over the summer (due July 31) as to the range of minimum and maximum enrollment expectations being used for planning purposes.
 - As one example, one institution indicated a potential loss of 50 percent of out-of-state students and 15 percent of in-state students.
 - In terms of revenue, the mid-point of these early estimates, in total for the public institutions, was over \$150 million for tuition and about \$350 million for auxiliaries, with the minimum totals being about \$1 billion and the maximum close to \$0.
- **Early Enrollment Estimates:** On September 29th, SCHEV released a first look at early enrollment estimates. *“While not something to celebrate, it is far better than the 20 percent decline predicted by some analysts last spring... These estimates are still preliminary and will change before final reports arrive later in the year, but it is safe to say that the situation is not as bad as some feared.”*
 - Changes in the mix of in-state and out-of-state will have a financial impact even if the total numbers were to remain similar.
 - The number of “first time in college” students is down about 8 percent at the public four-year institutions.
 - There appears to have been an increase in part-time relative to full-time status.
- **Official Fall Headcount Enrollment Submissions (November):** Student-level data for the public four-year institutions. (Community college enrollment and private colleges actual enrollment data not finalized yet.)

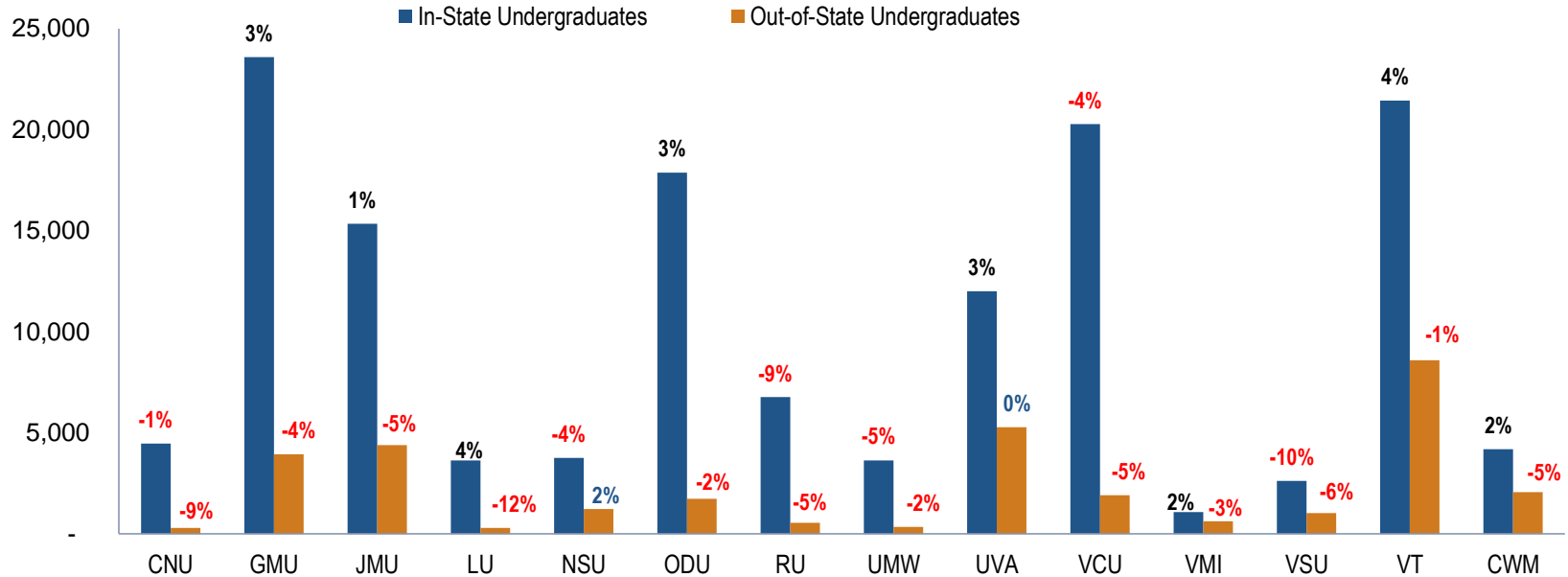
Early Enrollment Estimates – September



Source: SCHEV Early Enrollment Estimates, https://research.schev.edu/enrollment/EEE_Reports.asp

Fall 2020 Enrollment – Public Four-Year Institutions

Statewide the net decrease of 0.3 percent undergraduate students (Fall 2020 compared with Fall 2019) reflects an increase of 0.3 percent in-state students and a decrease of 2.6 percent out-of-state students.

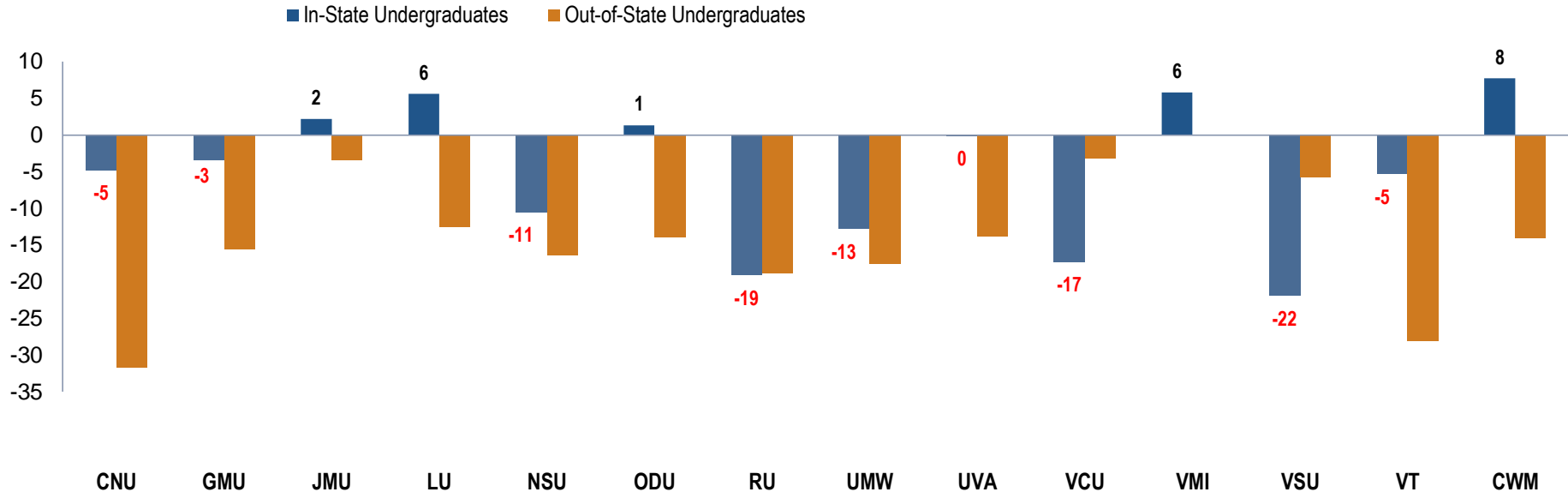


Source: SFAC Staff Analysis of SCHEV Data, as of November 16, 2020.

UVA-Wise, not shown above, reported 7% decrease in-state and 20% increase out-of-state, for total enrollment of 1,906 students.

First-Time-In-College Enrollment Decrease was Larger

Statewide there was a net decrease of 8.0 percent in the number of first-time-in-college undergraduate students, reflecting a decrease of 5.5 percent in-state and 16.0 percent out-of-state.



Source: SFAC Staff Analysis of SCHEV Data, as of November 16, 2020,
UVA-Wise, not included above, reported a 16% decrease in-state and a 16% increase out-of-state.

2020-21 Tuition and Fees (Full-Time In-State Undergraduate)

12 Out of 17 Institutions Froze Tuition Rates

Institution Type*	Charges	Amount Increase	Percent Increase
<u>Baccalaureate Institution Average</u>			
Tuition and Mandatory E&G Fees	\$9,385	\$111	1.2%
Mandatory Non-E&G Fees	4,517	92	2.1%
Room and Board	<u>11,210</u>	<u>209</u>	<u>1.9%</u>
Total Charges**	\$25,112	\$413	1.7%
<u>Virginia Community College System</u>			
Tuition and Mandatory E&G Fees	\$4,606	\$0	0.0%
Mandatory Non-E&G Fees	<u>14</u>	<u>0</u>	<u>0.0%</u>
Total Charges	\$4,620	\$0	0.0%

*Richard Bland, a two-year college not included above, did not increase tuition of \$6,000, mandatory non-E&G fees of \$2,100, and room and board of \$12,103.)

**Average charge for most of students at each type of institution, excluding tuition differentials – extra charges to students attending some specialized programs.

2020 Special Session State Budget Actions

- **Ch. 1289:** The originally adopted budget included a net increase of \$284.4 million over the biennium, nearly all of which was unallotted in April and not restored in October, including for:
 - Last-dollar plus community college workforce initiative (“G3”); undergraduate need-based financial aid; Tuition Assistance Grants; and a tuition moderation incentive funding pool.
- **Special Session Conference Report:** Provides \$94.0 million GF for funding to public institutions of higher education and additional temporary flexibility to support Auxiliaries (excluding Athletics) while considering financial health measures.
 - Most of the new FY 2021 funding amounts were related to providing at least 40 percent of the mid-point of the institutions’ summer estimates of their FY 2021 in-state undergraduate revenue shortfall, or other adjustments such as a minimum percentage of their total in-state undergraduate tuition revenue.
 - Also, an additional \$120 million in federal Coronavirus Relief Funds were allocated for higher education.
 - After the Conference Report, the Administration announced \$30 million for a VCCS initiative and \$22 million for private colleges.

Along with the Temporary Flexibility, Budget Language Also Addressed Measures of Institutional Financial Health

- § 23.1-1001 sets out certain minimum administrative and financial management standards for public institutions of Higher Education.
- In addition, the Auditor of Public Accounts compiles a comparative report of certain other financial health indicators (reserves, viability, composite measure, auxiliaries), including comparisons to other states.
 - Some measures were below benchmark in the last report (2017).
 - Institutions vary based on specific mission as well as based on age, location, and size that can have a significant impact on the comparison of such measures.

2020 Special Session Budget Language

During the 2020-2022 biennium, the Council (SCHEV) shall coordinate:

- (i) the dissemination to the institutions the measures of financial status included in the most recent Auditor of Public Accounts Higher Education Comparative Report, and
- (ii) collection of institutions' resulting financial sustainability reviews and possible action plans, to include if warranted discussion of a full range of potential structural options to improve long-term financial health.

The six-year plan review group identified under § [23.1-306](#) shall review such submissions.



2021 Session Outlook

SCHEV Budget Recommendations and Debt Restructuring

SCHEV Budget Recommendations for FY 2022

Item (\$ in millions)	Priority 1	Priority 2	Priority 3	Total
Undergraduate Financial Aid	\$15.6	\$14.7		\$30.3
G-3 Community College Initiative		17.3	17.3	34.5
Affordable Access/Institution Support		26.3	26.3	52.6
Graduate Aid			1.5	1.5
Other			6.5	6.5
TAG (in SCHEV's budget)	3.8	4.1		7.9
Other Items in SCHEV's budget	<u>1.4</u>	<u>0.3</u>	<u>1.6</u>	<u>3.3</u>
Total	\$20.8	\$62.6	\$53.2	\$136.6

Debt Restructuring Could Provide About \$300 Million in Relief, With Minimal Net Present Value Cost

- In order to provide relief, there is the opportunity to restructure the June 2021 and June 2022 9(c) principal payments, and the September 2021 and 2020 VCBA pooled bond payments, as well as refunding savings for both:
 - **9(c):** with the debt extended two years past the final maturity date, \$2.9 million net present value cost (***requires General Assembly approval in the 2021 Session***), and
 - **9(d):** with the debt extended two years past the final maturity date, a present value increase in aggregate debt service of \$6.4 million.

Debt Restructuring – FY 2021 to FY 2023

(\$ in millions)	Total Outstanding (as of Sept. 2020)	FY 2021	FY 2022	FY 2023	Total
9(c) General Obligation Bonds	\$823.0	\$59.9	\$52.2		\$112.1
9(d) Virginia College Building Authority – Educational Facilities Revenue Bonds	<u>1,522.5</u>	<u>4.8</u>	<u>97.9</u>	<u>95.2</u>	<u>197.9</u>
Total	\$2,345.5	\$64.7	\$150.1	\$95.2	\$310.0

Source: September 1, 2020, Treasury Department analysis.

2021 Session Outlook: The Known Unknowns

- Net financial impacts of Spring shutdowns were significantly mitigated by federal relief funding.
- SCHEV was tasked with certifying re-opening plans and institutions have varied in their approaches to semester calendars, level of in-person instruction, and other aspects.
 - What are the impacts on learning outcomes?
 - What impact did the “digital divide” have?
 - What are the lasting lessons learned from the rapid pivot to remote education?
- There was tremendous uncertainty through the spring and summer regarding expectations for fall enrollment, although it appears overall enrollment is only down slightly.
 - How have changes in the in-state and out-of-state mix at institutions affected finances?
 - What are the short and long-term impacts of the lower number of first-time-in-college students?
 - What are the actual revenue impacts now that fall enrollment is known? Will spring look similar?
 - How have institutions and students been impacted differently?
 - Is there also a looming enrollment cliff (predating COVID-19) given population demographics?
- Financial help has taken the form of flexibility, federal relief, state funding, and proposed restructuring of debt payments.
 - What is the level of any additional requests for FY 2022?
 - What role should realignments and other adjustments take versus requests for additional state funds?
 - How should student need be weighed versus other operating requests?